

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

12 UNILOC USA, INC., et al.,
13 Plaintiffs,
14 v.
15 APPLE, INC.,
16 Defendant.

Case No. 18-CV-00357-LHK

**ORDER GRANTING MOTION TO
STAY PENDING INTER PARTES
REVIEW**

Re: Dkt. Nos. 124, 125

18 Over the law two years, Plaintiffs Uniloc USA, Inc. and Uniloc Luxembourg, S.A.
19 (collectively, “Uniloc”) have filed 19 separate patent infringement actions against Defendant
20 Apple, Inc. (“Apple”). *See* ECF No. 124 at 3. Uniloc filed the instant patent infringement action
21 against Apple on April 3, 2017 in the United States District Court for the Eastern District of
22 Texas. ECF No. 1. Uniloc’s original complaint alleged infringement of three patents: U.S. Patent
23 Nos. 8,239,852 (“the ’852 Patent”), 8,838,976 (“the ’976 Patent”), and 9,414,199 (“the ’199
24 Patent”). However, on August 29, 2017, Uniloc moved to “withdraw any and all asserted claims
25 in this case pertaining to” the ’976 Patent without prejudice. ECF No. 66. On August 30, 2017,
26 Judge Rodney Gilstrap of the United States District Court for the Eastern District of Texas granted
27 Uniloc’s motion. ECF No. 70.

1 Apple filed three *inter partes* review (“IPR”) petitions as to the two remaining patents in
2 the instant action—specifically, two IPR petitions regarding the ’852 Patent, and one IPR petition
3 regarding the ’199 Patent—in August and September of 2017. *See* Exhs. B, C, D to ECF No. 124.
4 Then, on December 22, 2017, Judge Gilstrap granted Apple’s motion to transfer the instant action
5 to this district. ECF No. 104. Subsequently, on January 29, 2018, the instant action was
6 reassigned to the undersigned judge. ECF No. 118.

7 On March 8, 2018, the Patent Office granted Apple’s IPR petition and instituted an IPR
8 covering all the claims of the ’199 Patent, but denied one of Apple’s IPR petitions regarding the
9 ’852 Patent. Exhs. E & G to ECF No. 124. Apple’s other IPR petition regarding the ’852 Patent
10 is still pending, and a decision on that petition “is expected no later than May 6, 2018.” ECF No.
11 124 at 4; *accord* ECF No. 127 at 4. The ’199 Patent is comprised of five claims, all of which are
12 asserted in the instant case, and all of which are challenged and at issue in the instituted IPR.
13 Uniloc asserts only one claim of the ’852 Patent in the instant litigation against Apple.

14 On March 16, 2018, Apple filed a motion to stay this case pending resolution of the IPR.
15 ECF No. 124 (“Mot.”). Relatedly, on the same day, Apple filed an administrative motion to
16 shorten the time for hearing its motion to stay. ECF No. 125. On March 20, 2018, Uniloc
17 opposed Apple’s administrative motion to shorten time. ECF No. 126. Then, on March 30, 2018,
18 Uniloc filed an opposition to Apple’s motion to stay pending IPR. ECF No. 127 (“Opp.”). On
19 April 6, 2018, Apple filed a reply to Uniloc’s opposition to Apple’s stay motion. ECF No. 128
20 (“Reply.”). The Court finds this matter appropriate for resolution without oral argument pursuant
21 to Civil Local Rule 7-1(b) and hereby VACATES the hearing currently set for May 31, 2018.

22 “Courts in this District examine three factors when determining whether to stay a patent
23 infringement case pending review or reexamination of the patents: (1) whether discovery is
24 complete and whether a trial date has been set; (2) whether a stay will simplify the issues in
25 question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear
26 tactical disadvantage to the nonmoving party.” *PersonalWeb Techs., LLC v. Apple Inc.*, 69 F.
27 Supp. 3d 1022, 1025 (N.D. Cal. 2014) (citations and quotations omitted). “Courts have inherent

1 power to manage their dockets and stay proceedings, including the authority to order a stay
2 pending conclusion of a PTO reexamination.” *Microsoft Corp. v. TiVo Inc.*, No. 10-CV-00240-
3 LHK, 2011 WL 1748428, at *3 (N.D. Cal. May 6, 2011) (quoting *Ethicon, Inc. v. Quigg*, 849 F.2d
4 1422, 1426-27 (Fed. Cir. 1988)).

5 With respect to the first factor, the Court finds that the stage of the case favors a stay. As
6 discussed above, this action was recently transferred to this district from the United States District
7 Court for the Eastern District of Texas. No claim construction hearing was held, and no claim
8 construction ruling was issued, by that court. Further, the only deposition that was taken before
9 transfer was a half-day deposition of Uniloc’s general counsel regarding venue- and transfer-
10 related issues. Mot. at 3 n.2, 5. Since this action was transferred, this Court has yet to hold an
11 initial case management conference or set a case schedule. As a result, the Court has not set any
12 dates relating to claim construction, dispositive motions, or trial. Further, Apple’s motion to
13 dismiss Uniloc’s amended complaint pursuant to 35 U.S.C. § 101, which was first filed a month
14 before Judge Gilstrap granted Apple’s motion to transfer, remains pending, and the May 31, 2018
15 hearing on this motion to dismiss has not yet taken place. Thus, although the parties have incurred
16 some costs, significant litigation costs still remain that might be avoided by a stay. *See*
17 *PersonalWeb*, 69 F. Supp. 3d at 1026-27 (finding that the stage of the case weighed in favor of a
18 stay despite the parties’ service of over 100 document request, 50 interrogatories, production of
19 over 500,000 pages, and deposition of over 12 individuals, because the remaining work—which
20 included expert reports and discovery, dispositive motions, and trial—would be “costly”);
21 *Microsoft*, 2011 WL 1748428 at *6 (finding that the stage of the litigation weighed in favor of a
22 stay where the parties had exchanged initial disclosures, interrogatory responses, and document
23 discovery, but no depositions had been taken and no expert reports had been exchanged). In
24 addition, a stay would conserve the Court’s resources by ensuring that the Court does not conduct
25 a jury trial on, or issue any claim construction or dispositive motion rulings regarding, claims that
26 the Patent Office later invalidates. Furthermore, “since it is possible that this Court and the PTO
27 could reach inconsistent conclusions regarding the same patent, there is a significant concern of

1 wasting resources by unnecessarily proceeding” forward. *Ricoh Co. v. Aeroflex Inc.*, Nos. C03-
2 04669 MJJ, C03-02289 MJJ, 2006 WL 3708069, at *5 (N.D. Cal. Dec. 14, 2006). “If this Court
3 were to deny the stay and proceed to trial, it is possible that the time, resources, and significant
4 efforts of all those involved in such a trial, including a jury, would be wasted.” *Id.*

5 In opposing Apple’s stay motion, Uniloc asserts that Apple has “delayed the progress of
6 this case,” specifically with regards to scheduling depositions. Opp. at 6–9. However, even if all
7 the allegedly delayed depositions had already occurred, the stage-of-case factor would still weigh
8 in favor of a stay. *See PersonalWeb*, 69 F. Supp. 3d at 1026–27 (finding that the stage of the case
9 weighed in favor of a stay despite the parties’ service of over 100 document request, 50
10 interrogatories, production of over 500,000 pages, and deposition of over 12 individuals, because
11 the remaining work—which included expert reports and discovery, dispositive motions, and
12 trial—would be “costly”).

13 Second, with respect to whether a stay would simplify the issues in the case, the Court
14 finds that this factor also favors a stay. If the Patent Office invalidates any of the claims at issue,
15 that would narrow the scope of the litigation in this case. *See Universal Elecs., Inc. v. Universal*
16 *Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1032 (C.D. Cal. 2013) (“[W]aiting for the outcome of
17 the reexamination could eliminate the need for trial if the claims are cancelled or, if the claims
18 survive, facilitate trial by providing the court with expert opinion of the PTO and clarifying the
19 scope of the claims.” (quoting *Target Therapeutics, Inc. v. SciMed Life Sys., Inc.*, No. C-94-20775
20 RPA (EAI), 1995 WL 20470, at *2 (N.D.Cal. Jan. 13, 1995))). In addition, the course of the IPR
21 proceeding regarding the ’199 Patent, including the arguments that Uniloc makes, may inform the
22 course of the remaining proceedings in this Court. *See Asylus Networks, Inc. v. Apple, Inc.*, 856
23 F.3d 1353, 1359–61 (Fed. Cir. 2017).

24 Uniloc points out that, at least for now, only one of the two patents at issue (the ’199
25 Patent) “is subject to an instituted IPR,” Opp. at 10, and argues that “[w]ithout the ’852 patent in
26 an instituted IPR, this case would not be significantly simplified.” *Id.* at 11. Even assuming that
27 (1) the Patent Office ultimately declines to institute IPR with regards to the ’852 Patent; and (2)

1 the IPR proceeding on the '199 Patent will have no effect on the '852 Patent, the Court finds that
2 the potential simplification of issues related to the '199 Patent outweighs the delay that will result
3 in the adjudication of the single claim of the '852 Patent that is at issue in the instant case. Indeed,
4 it would make little sense to proceed only on the one asserted claim in the '852 Patent, thereby
5 risking a second trial on the five claims in the '199 Patent if they survive IPR, nor would it make
6 sense to proceed on six claims (across two patents) when five of them may later be invalidated.

7 Third, the Court finds that granting a stay would not unduly prejudice Uniloc. “The delay
8 inherent to the reexamination process does not generally constitute, by itself, undue prejudice.”
9 *Akeena Solar Inc. v. Zep Solar Inc.*, No. 09-cv-5040-JSW, 2010 WL 1526388 (citing *Pegasus*
10 *Dev. Corp. v. DirecTV, Inc.*, 2003 WL 21105073, at *2 (D. Del. May 14, 2003)). Further, Apple
11 asserts, and Uniloc does not dispute, that Uniloc is a “non-practicing entity that licenses its
12 intellectual property” and therefore “does not compete directly with Apple.” Mot. at 124; *see* Exh.
13 L. to Mot. This absence of direct competition between Uniloc and Apple is significant because in
14 patent infringement actions, “courts generally find that a plaintiff ‘does not risk irreparable harm
15 by the defendant’s continued use of the accused technology and can be fully restored to the *status*
16 *quo ante* with monetary relief’ if there is no indication that the parties “*are direct competitors* and
17 that the plaintiff’s competitive position would be prejudiced by a stay.” *Finjan, Inc. v. Symantec*
18 *Corp.*, 139 F. Supp. 3d 1032 (N.D. Cal. 2015) (quoting *DSS Tech. Mgmt., Inc. v. Apple, Inc.* 2015
19 WL 1967878, at * 4 (N.D. Cal. May 1, 2015) (emphasis added and alteration adopted)). Uniloc
20 argues that it would be prejudiced by a stay because Apple engaged in “dilatory tactics” by (1)
21 filing a motion to stay pending IPR of the '199 Patent; and (2) delaying the scheduling of
22 depositions. Opp. at 12–13. Uniloc’s argument is not well-taken. As an initial matter, the Court
23 does not find that Apple’s filing of a motion to stay based on the Patent Office’s institution of IPR
24 on the '199 Patent was improper. On the contrary, Apple’s stay motion informed the Court of a
25 development that, as discussed above, was at least relevant to the question of whether
26 considerations of efficiency would be better served by staying the instant action pending the
27 resolution of the IPR proceeding regarding the '199 Patent. Further, even if Apple did improperly
28

1 delay in scheduling depositions—something that Apple disputes, *see* Reply at 3–4—Uniloc does
2 not explain how that delay is connected to any undue prejudice that Uniloc might suffer *from a*
3 *stay*. As the Court explained above, even if all the allegedly delayed depositions had already
4 occurred, the stage-of-case factor would *still* weigh in favor of a stay.

5 For the foregoing reasons, the Court GRANTS Apple’s motion for a stay of this case and
6 DENIES as moot Apple’s administrative motion to shorten time to hear Apple’s stay motion. This
7 action is STAYED in its entirety pending final exhaustion of the pending IPR proceedings for the
8 ’199 Patent and, if instituted, the ’852 Patent, including any appeals.

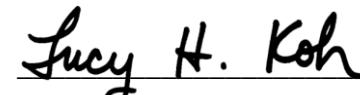
9 The Clerk shall ADMINISTRATIVELY CLOSE the file. This is a purely administrative
10 procedure that does not affect the rights of the parties.

11 The parties shall submit joint status reports apprising the Court of the status of the IPR
12 proceedings every six months.

13 The parties shall provide notice to the Court within one week of final exhaustion of all
14 pending IPR proceedings, including appeals. In their notice, the parties shall request that this
15 matter be reopened, and that a case management conference be scheduled.

16 **IT IS SO ORDERED.**

17
18 Dated: April 30, 2018

19
20 
21 LUCY H. KOH
22 United States District Judge
23
24
25
26
27
28